

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, March 29, 2011.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, March 29, 2011 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:00 p.m. He asked Ms. Pam May, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: E. Britt Brockman (chair), Penelope Brown, Jo Hern Curriss, Dermontti Dawson, William S. Farish, Jr., Oliver Keith Gannon, Pamela T. May, Everett McCorvey, Billy Joe Miles, Terry Mobley, Sandy Bugie Patterson, Erwin Roberts, Charles R. Sachatello, Frank Shoop, Ryan Smith, James W. Stuckert, and Barbara Young. Absent from the meeting were Sheila Brothers, Carol Martin "Bill" Gatton, and Joe Peek. Ms. May announced that a quorum was present.

The university administration was represented by President Lee T. Todd, Jr., Provost Kumble Subbaswamy, Executive Vice President for Finance and Administration Frank Butler, Executive Vice President for Health Affairs Michael Karpf, and General Counsel Barbara W. Jones.

The university faculty were represented by Chair of the University Senate Council Hollie Swanson, and the university staff were represented by Chair of the Staff Senate Jann Burks.

Members of the various news media were also in attendance.

C. Consent Items

Dr. Brockman called attention to the two consent items: Minutes from the February 22, 2011 Board meeting and PR 2 dealing with personnel actions to be approved. Ms. Patterson moved approval, and her motion was seconded by Mr. Stuckert. The motion carried without dissent. (See consent items listed below at the end of these Minutes.)

Minutes	February 22, 2011
PR 2	Personnel Actions

D. Chair's Report

Dr. Brockman gave his report, leading off with his congratulations to three University of Kentucky athletic teams. The first team is the rifle squad, which won the NCAA Championship. Second is the women's basketball team, whom he praised for their accomplishments in making it

to the NCAA women's tournament. The last team to receive his congratulations was the men's basketball team, which advanced to the 2011 Final Four of the men's NCAA teams. Dr. Brockman asked that the record reflect how proud everyone is of these three athletic squads.

Dr. Brockman discussed the current opportunity for a self-examination of the governance and oversight of UK Athletics, which has just finished an entire decade without a serious athletic violation. He announced the formation of a special committee which will examine, with recommendations, UK Athletics practices as compared to both the practices of benchmark institutions and the current best practice methodologies as suggested by the Association of Governing Boards of Universities and Colleges. Board member Terry Mobley will chair the committee, which will also be composed of Keith Gannon, Bill Gatton, Billy Joe Miles, and Frank Shoop from the Board of Trustees; Dean Scott Smith from the College of Agriculture; Joe Fink, UK's current faculty NCAA representative; Lionel Williamson, a current Athletic Board member, and Myra Ball and Jim Hardyman from the community. President Todd and Dr. Brockman will be ex officio members. The committee is expected to report to Dr. Brockman in a timely manner after comprehensive data collection and careful deliberation.

Dr. Brockman asked Mr. Stuckert for a briefing on the activities of the Presidential Search Committee.

E. Presidential Search Committee Report

Mr. Stuckert, chair of the Presidential Search Committee, began his report by asking for an update from Ms. Curris and Ms. May on the UK Tour program.

Ms. Curris reminded board members of the purpose of the recent UK Tour of the Commonwealth – to make contact with diverse citizens in order to collect their thought and ideas with respect to what the board should consider in selecting the next president of the University of Kentucky. The tour went to 16 sites across Kentucky, and she and Ms. May are in the process of organizing the data and preparing a report for the board by April 15.

Ms. May thanked all tour participants and described the tremendous response from the Trustees, UK staff and faculty, and others across the state. She also shared that President and Mrs. Todd received glowing compliments at all of the stops on the tour. Next to come will be the analysis of the data as she and Ms. Curris compile and summarize what they learned.

Recognizing the efforts of Ms. Curris and Ms. May in organizing and implementing the tour, Mr. Stuckert suggested that the board give them a round of applause and thanked them again. He then reported on other activities of the search committee since the last board meeting. On February 23, the day after the board meeting, the Presidential Search Committee met with the consultants to review the prospects for consideration and selected a number of them for further contact and discussed interview strategies. March 22 through 24, the committee met in Northern Kentucky for interviews of leading candidates. Monday, April 11, the committee meets again to select a number of candidates to refer to the Board of Trustees.

F. Public Forum for Presidential Search Finalist (PSCR 1)

While in Northern Kentucky, the committee authorized that the consultants proceed with referencing the candidates in preparation for the final selection. In addition, the committee approved a motion that faculty, staff, students, and alumni be given the opportunity to meet the candidate for the Office of President of the University of Kentucky at a public forum. Forum attendees' comments may be submitted the same day on a web-based survey tool to provide information to the Board of Trustees before any final action is taken on the candidate. The committee's intent to conduct the public forum is registered officially in PSCR 1. Mr. Stuckert moved that PSCR 1 be approved by the Board. Dr. Brockman accepted a second from Ms. Curris, and PSCR 1 was passed without dissent. (See PSCR 1 at the end of the Minutes.)

Mr. Stuckert thanked his committee, naming each member and the area of UK that they represent, for their involvement in the exhausting and grueling 3.5 days in Northern Kentucky. He also expressed his appreciation to Tom Harris and Jay Blanton for their activities as support for the meetings. He especially thanked Peggy Way for her excellent organizational skills and concern for the committee which she offered even in a time of great personal stress. Alan Saylor and Robert McPherson from the UK Division of Police provided security for the group and helped to make the interviews a success. Mr. Stuckert is confident that the ultimate result will prove the efforts of these participants invaluable.

G. President's Report (PR 1)

President Todd announced to board members that he would proceed quickly through PR 1 in his President's Report. He reviewed the following items.

UK Rifle Team Wins First NCAA Championship

The president reinforced Dr. Brockman's praise for the UK rifle team and brought the PR 1 item to the Board's attention. Heather Greathouse and Ethan Settlemires helped the team win the overall title at the 2010-11 NCAA Championships on March 12 in Columbus, Georgia. The NCAA Championship is the first in the history of the UK rifle program. Since the 1994 season, the Wildcats have finished 16 times among the top ten teams at the national championships. In claiming the 2010-11 national championship, the Wildcats have completed a historic season, including an unbeaten regular-season slate in the Great American Rifle Conference Championships.

UK Opera Theatre Production Debuts New Projection Technology

After its successful first run of performances at the Singletary Center in January and February, the UK production collaboration on "Porgy and Bess" has now enjoyed a performance with the Atlanta Opera. The Center for Visualization and Virtual Environments (Viz Center) and UK Opera Theatre have debuted new screen projection technology with UK Opera Theatre's production of the American classic folk opera. Atlanta is the first professional opera company to use the new technology. The president lauded the performances and speculated that its next stop might be Germany.

University Press Publishes Book on Former UK President

President Todd mentioned Eric Moyer's *Frank L. McVey and the University of Kentucky: A Progressive President and the Modernization of a Southern University*, the newest publication in the University Press of Kentucky's Thomas D. Clark Studies in Education, Public Policy and Social Change series. The book fills a gap in the biographies of UK presidents. The series is made possible with support from UK's College of Education.

Merit Weekends Draw Prospective Students

Recruitment of top notch students as next year's freshmen class appears to be in full swing at UK, as witnessed by the fact that the Office of Undergraduate Admission hosted a record number of academically talented prospective students from across Kentucky and 25 other states at the annual Merit Weekends March 11-12 and 18-19. As of March 9, 840 students had registered for Merit Weekends, compared with 781 last year. Merit Weekends are two-day events available by invitation to admitted students who have excelled academically in high school. The president praised Registrar Don Witt for the quantity and quality of his accomplishments.

Sarah Bennett Holmes Awards Honor Outstanding Women at UK

University of Kentucky Women's Forum presented the Sarah Bennett Holmes Awards, given annually to women working at the University who promote the growth and well being of other women. The 2011 faculty winner was Louise Graham, W. L. Mathews Professor of Law in the UK College of Law, and the staff winner was Dana Walton-Macaulay, assistant director of Residence Life for student rights and responsibilities. Twenty-one women from across campus were nominated for the award. President Todd invited board members to view the Holmes awards, which are displayed in the Main Building.

College of Pharmacy Report

As part of his regular practice of showcasing individual colleges to the Board, President Todd introduced Dean Tim Tracy of the College of Pharmacy as one of UK's newest deans. Dean Tracy started his presentation by offering a glimpse of the college. The nation's fifth-ranked College of Pharmacy is home to:

- PharmD Students – 513
- Graduate Students – 75
- Postdoctoral Fellows – 22
- Residents – 17
- Faculty – 63
- Staff – 109
- Community-Based Faculty – 320
- Alumni – 5,500 (BS/PharmD); 250 (PhD)

Dean Tracy said he likes to start with that listing because it speaks to the strength of the College – its people. He said the college is dedicated to attracting top students, faculty, and staff.

The college's faculty remain committed to providing a world-class pharmacy education. And the college's alumni continue to serve as change agents and economic development engines in communities across the Commonwealth.

The dean took time to applaud the college's community-based faculty. Pharmacy students are on campus receiving their classroom and laboratory education for the first three years of school. During their fourth year, they are putting those lessons to work in communities across Kentucky. The UK College of Pharmacy has more than 300 community-based faculty across this state.

Those faculty members help the College of Pharmacy live UK's land-grant mission of serving Kentucky communities every day. The college maintains a presence in communities across Kentucky, with UK pharmacy alumni working in 119 of 120 Kentucky counties. College of Pharmacy faculty, students, and alumni are working every day to create healthier and wealthier Kentucky communities.

Dean Tracy discussed how UK PharmD students are number one in the nation in first-time pass rates (99.6 percent over the past 6 years) on the NAPLEX, the national licensing examination. But that figure tells only part of the story. Eighty-six percent of the college's students are from Kentucky. They are Kentucky's sons and daughters – the products of Pikeville and Paducah and everywhere between. And every year, they show the world that they can compete – that Kentucky kids are just as academically talented as any students in the nation.

The college is home to some of the top pharmacy researchers in the world. Pharmacy researchers are currently ranked fourth in the nation in research productivity measures, and they generate annual research expenditures of more than \$11 million. Dean Tracy mentioned that the college is in the process of hiring a high-profile researcher who will bring total funding of about \$13 million to the university.

Finally, Dean Tracy provided the Board of Trustees a glimpse into where the college is headed in the months and years ahead. He said the college is putting the finishing touches on its strategic plan, which will focus on four major pillars:

- Innovations in Education
- Research Enterprise Expansion
- Practice Enhancement, Enrichment, and Engagement
- Recruitment, Retention, and Academic Environment Reform

Dean Tracy concluded his remarks by thanking the Board of Trustees for this opportunity and opened the floor for questions.

In response to a question from President Todd, Dean Tracy commented on Pharmacy's tradition of entrepreneurship. The college has one of the broadest intellectual property portfolios in the university. It has multiple drugs that are in clinical trials, as well as drugs that are receiving royalties for the college. The faculty show an entrepreneurial spirit, but they do so as

good stewards, with the hope of enhancing the health of not only Kentuckians, but also people across the world.

President Todd expressed his appreciation to Dean Tracy for his presentation and to the faculty and staff of the College of Pharmacy for their accomplishments.

President Todd recognized Dr. JJ Jackson and Dr. Robert Mock, who have been selected to participate in the Millennium Leadership Institute of the American Association of State Colleges and Universities. This is a premier leadership development program that provides individuals traditionally underrepresented in the highest ranks of higher education with the opportunity to develop skills, to network, and to a gain philosophical overview to allow their advance in the world of higher education. They were given a round of applause.

Also recognized was DanceBlue. The president asked Ms. Patterson, chair of the Student Affairs Committee, to introduce students from the organization as our honored guests. She introduced Matt Dempsey, who was the overall chair this year; Blake Willoughby, the corporate chair; Dave Lowe, technology chair; Katherine Flynn, operations chair; and Clay Stanley, overall chair for next year. The DanceBlue organization raised \$675,000 in funds for the Pediatric Oncology Center at UK Children's Hospital. The audience showed their appreciation through a round of applause. President Todd praised the students for their lasting contribution to the university and expressed his wish that the tradition that they and others have put in place can be sustained, even under challenging circumstances.

President Todd said that the Lexington Mayor Jim Gray had announced the previous day a 42-member committee to look at downtown Lexington. UK's 15-year agreement to remain in Rupp Arena, signed during the president's first months in office, is in place, and he feels that by the time UK gets a new Rupp Arena, the university will have held its basketball games there for nearly 40 years. Mitch Barnhart, Frank Butler, Everett McCorvey, William Farish, Dean Michael Speaks, and Chairman Britt Brockman are six members of the 42 that will work on the four committees looking at all aspects of the future of the area.

H. Honorary Degree Recipients (PR 3)

President Todd thanked the Committee on Honorary Degrees for their work in selecting these candidates and degrees for 2011:

Barbara Hogan	Honorary Doctor of Letters
Ahmed Kathrada	Honorary Doctor of Letters
Robert M. Drake, Jr.	Honorary Doctor of Science
T. Pearse Lyons	Honorary Doctor of Letters
Albert P. Smith, Jr.	Honorary Doctor of Letters

The president gave a short biography of each nominee and recommended that the honorary degree recipient candidates listed in PR 3 be approved by the Board. Dr. Brockman asked for a motion for approval, which was given by Mr. Mobley and seconded by Mr. McCorvey. PR 3 passed without dissent. (See PR 3 at the end of the Minutes.)

I. University Research Professorships (PR 4)

President Todd next asked Dr. Jim Tracy, Vice President for Research, to assist in announcing the University Research Professorships for 2011-12. Dr. Tracy expressed his pleasure at being able to make these awards and stated that there were ten nominees this year, which were peer reviewed by an ad hoc committee, and four were selected. These are

Karyn Esser	Department of Physiology
Brandon Look	Department of Philosophy
Gregory Smith	Department of Psychology
Youling Xiong	Department of Animal and Food Sciences

Upon Board approval, they will receive a one-year award of \$40,000 and can use the title of Research Professor throughout their future years at the university. He offered a brief summary of the background and interests of each candidate as well as the research topic that will be funded during their research professorship year. Each nominee received a round of applause.

President Todd recommended approval of the nominees. Dr. Brockman asked for a motion of approval for PR 4. Mr. Stuckert moved approval. Ms. Curris seconded, and the motion passed without dissent. (See PR 4 at the end of the Minutes.)

J. Establishment of Commonwealth Chair of Transportation Engineering (PR 5)

PR 5 establishes a Commonwealth Chair of Transportation Engineering in the College of Engineering in conjunction with the Kentucky Transportation Cabinet. The Secretary of Transportation will provide \$50,000 annually for five years, with the possibility of extension. The funds will support the research and professional activities of a highly qualified civil engineering faculty member. President Todd recommended that the board approve this resolution. Dr. Brockman asked for a motion of approval for PR 5. Mr. Roberts so moved and Ms. Patterson seconded. The motion passed without dissent. (See PR 5 at the end of the Minutes.)

K. Candidate for Degree (AACR 1)

Dr. Brockman passed the floor to Ms. Brown, chair of the Academic Affairs Committee, for her report. The first action item of the committee was AACR 1, which lists a candidate for a degree from the Summer Session of 2010. Ms. Brown moved acceptance of AACR 1. Mr. Miles seconded her motion, and it passed without dissent. (See AACR 1 at the end of the Minutes.)

L. Candidates for Degree – Bluegrass Community and Technical College (AACR 2)

Ms. Brown said that the approval requested in AACR 2 may be the last under the 2004 agreement among the University of Kentucky, the Kentucky Community and Technical College System, and Lexington Community College pursuant to House Joint Resolution 214. The agreement states that LCC students who were or are officially enrolled on or before September

2004 in associate degree programs approved by the UK Board of Trustees and who complete the associate degree program on or before August 31, 2010 shall have their degrees conferred by the UK Board of Trustees. She moved approval of AACR 2. Dr. Brockman asked for a second, which was given by Mr. Dawson. AACR 2 passed with no dissent. (See AACR 2 at the end of the Minutes.)

M. Audit Subcommittee Report

Dr. Brockman asked Mr. Stuckert to give the report of the Audit Subcommittee. Mr. Stuckert, chair of the Finance Committee, under which the Audit group is a subcommittee, reported that the Audit Subcommittee met that morning. The subcommittee discussed the auditing comments and statements for the fiscal year ending June 2011 as contained in the pre-audit report provided by BKD. They retained BKD LLP, the university's auditor, as a continuation of a five-year contract that was initiated in 2008. Joe Reed, senior director of Internal Audit, proposed revisions to the Audit Subcommittee charter and to the Internal Audit charter, both of which were accepted by the Audit Subcommittee.

N. Finance Committee Report

Mr. Stuckert reported that the committee considered three resolutions at that morning's meeting after discussing each one thoroughly.

O. Acceptance of Interim Financial Report for the University of Kentucky for the Six Months Ended December 31, 2010 (FCR 1)

Ms. Angie Martin, Vice President, Office of the Treasurer, explained the financials and reviewed assets and liabilities found in the attachment to FCR 1. Mr. Stuckert invited specific questions about the content of the report, then moved approval of FCR 1. Mr. Shoop seconded his motion, and there was no opposition to its adoption. (See FCR 1 at the end of the Minutes.)

P. A Resolution Providing for the Authorization, Issuance, and Sale of Approximately \$19,000,000 General Receipts Obligations (Upgrade Student Center Infrastructure) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005 (FCR 2)

Mr. Stuckert stated that the substance of FCR 2 was approved, in effect, at the last board meeting, and this resolution is a specification of terms involved in the issuance of the municipal bonds. He made it clear that although FCR 2 states that "The Upgrade Student Center Infrastructure Project will not result in an increase in tuition," upon subsequent questioning the Finance Committee found that such an increase would be incurred. As a result, Student Government on behalf of the students voted that a \$24 per student per semester fee would be initiated to cover the cost of this expansion. Mr. Stuckert moved approval of FCR 2. Mr. Smith seconded the motion. It passed without dissent. (See FCR 2 at the end of the Minutes.)

Q. Data Center Information Technology Equipment — Hospital (FCR 3)

Mr. Stuckert said that FCR 3 funds the facility approved at the board of trustees meeting on February 22. This FCR covers the hardware for servers, network storage, and security components for the immediate capacity needs of our hospital. Mr. Stuckert moved approval of FCR 3. Mr. Shoop seconded his motion, and it carried without dissent. (See FCR 3 at the end of the Minutes.)

R. Investment Committee Report

Mr. Roberts gave the Investment Committee Report in the absence of Mr. Gatton, chair of the Committee.

The Investment Committee met on March 28 to review performance results and conduct other business. The Endowment had a net market value of \$882.5 million as of February 28, 2011. For the seven months ended February 28, the Endowment pool returned 17.2 percent, which is in line with the policy benchmark return of 17.3 percent.

The committee heard an update on the newly established Endowment Advisory Group. At its September 2010 meeting, the Investment Committee approved changes to the University's Endowment Investment Policy. Among other things, the committee established the Endowment Advisory Group, made up of senior administrators and faculty appointed by the President, to advise the Vice President for Financial Operations and Treasurer on matters related to the management of individual endowment funds. The Group reviewed spending on underwater endowments, which are endowments whose market value is below the contributed value. While the Endowment has experienced a strong recovery, UK still has some individual endowment funds that are under water. The Endowment Advisory Group recommended that, effective for Fiscal Year 2011-12, spending distributions be reduced by 25 percent for endowments under water more than 10 percent. This will impact 298 of the 1,971 endowment funds. Distributions from those 298 funds are expected to be reduced by \$1.1 million to \$3.4 million. The Endowment Advisory Group also reviewed minimum endowment levels and recommended new levels to the administration which are under consideration.

The Investment Committee also reviewed results of the 2010 NACUBO-Commonfund Study of Endowments released in late January. NACUBO stands for National Association of College and University Business Officers. Of the 865 public and independent institutions that reported their endowment values as of June 30, 2010, UK ranked 84 (or in the top 10 percent). The average return of participating institutions was 11.9 percent for the year ended June 30, 2010. UK earned 13.1 percent during the same period due to a higher than average equity allocation. UK has gradually reduced its equity exposure over the last 18 months, increasing the allocation to absolute return and other alternative strategies in an effort to reduce volatility of returns. The Committee reviewed a benchmarking summary of 2010 return and asset allocation data for the Top 20 institutions. The University's target asset allocation is in line with the average allocation of those institutions.

The committee also heard an update on the Endowment's private equity allocation, which is currently 4 percent of the total endowment pool. UK will be making significant commitments to the private equity asset class over the next few years in order to reach and maintain the 7 percent target allocation. Investment staff will soon issue a Request for Proposals for a new private equity manager. All investment managers must be hired through an RFP process under the supervision of the university's Purchasing Division.

Dr. Brockman thanked Mr. Roberts for his report and asked for the Student Affairs Committee Report from Ms. Patterson.

S. Student Affairs Committee Report

Ms. Patterson, chair of the Student Affairs Committee, reported a successful morning meeting. It was decided that future committee meetings will showcase a student as a speaker at each meeting beginning in June.

DanceBlue Overall Chair Matt Dempsey gave the history of how the fundraiser was started. Jared Mynear was diagnosed with cancer at an early age and died at the age of 13. His mother wanted to create a legacy to honor him and the Pediatric Oncology Clinic. With the help of the Office of Development, they raised funds to renovate a clinic. To maintain the legacy, UK modeled a fundraising program after a successful one at Penn State called THON that has been active for 35 years and has raised \$78 million.

Thus far, DanceBlue funding has provided social work personnel, a clinic, salary support for neurocognitive testing of patients, and a laboratory for research in pediatric oncology in the Markey Cancer Center. The students have raised \$2.9 million in six years.

DanceBlue is now reaching out to high schools in the area and eventually across the state, encouraging them to provide their own marathon, a program which has been successful at Indiana University. Money from high school events will be added to the UK total. There were 82 DanceBlue teams this year. It is planned that alumni will take on some high school initiatives later.

Ms Patterson also mentioned that Student Government Association elections are Wednesday and Thursday, and another route is expected to be added to the recently initiated Cats Cruiser service.

T. University Health Care Committee Report

Ms. Young, chair of the University Health Care Committee, gave its report .

At the morning's meeting, Mr. Murray Clark and Ms. Ann Smith presented the building projects update. Pavilion A patient floors and public spaces will open Thursday, May 19, 2011. These spaces will include the 305-seat auditorium, the coffee shop, the chapel, conference rooms, and public and surgical waiting rooms. On Sunday, May 22, 2011, two patient care floors will open for patients in neuroscience, ICU, pulmonology, stroke, trauma, general surgery,

orthopedics, abdominal transplant ICU, and rehab spaces. With the opening of Pavilion A, Chandler Hospital will have a potential maximum capacity for 568 beds, including 98 critical care beds.

There are still a number of remaining elements of Phase I that have yet to be completed and will come on line in planned phases. Into the future, the construction phases under prioritized consideration include the need for 24 additional ICU beds, complete privatization of all rooms, and the redesign and modernization of equipment for a new kitchen.

The project is still under budget.

Mr. Sergio Melgar presented the financial report comparing the balance sheet at January in fiscal year 2011 with fiscal year 2010. Cash decreased \$117.7 million. The \$51.3 million balance is \$30 million lower than the December 31, 2010 balance. The decrease from 2010 is due to the use of cash reserves for the remainder of Phase I-A of the Patient Care Facility Project. Accounts receivable have decreased by \$1 million compared to last year, or \$103.5 million versus \$104.5 million, and net patient service revenue increased \$27.5 million. The value of board-designated investments now totals \$203.6 million, which is a \$24.5 million increase from January of last year. Net capital assets have increased \$134.7 million due to the planning for the patient care towers, the groundwork on the new site, and the construction of the patient care facility. Accounts payable have decreased \$3.6 million; net assets have increased to \$616.6 million from January 2010, and total assets are at \$1.2 billion. UK hospital system posted an operating profit of \$1.2 million in January. Year-to-date income from operations is \$18.4 million, which is \$5.8 million less than budget and \$8.1 million less than the prior year. There is continued concern about an increasing volume of bad debt, which is almost twice what it was last year. Current month investment income is \$2.6 million, and year-to-date investment income is \$28.9 million.

Mr. Melgar also gave a very brief financial overview for the months of February and March, which have not quite closed yet. Overall, volumes are up. February was a break-even month, and for the quarter, the numbers are fairly positive compared to last year, where the system lost money.

Dr. Richard Lofgren presented a UK HealthCare Enterprise performance update, reporting that quality and outcome scores continue to be strong. Patient satisfaction has improved in the last quarter. The efficiency metrics are near target, with the increase in labor costs reflecting the combined effects of seasonality and preparation for the opening of the new facilities. Compliance with Medicare 4 measures is strong. However, a handful of specific metrics are still commanding some special attention. The stroke unit received the gold plus recognition from the American Heart and Stroke Associations for its performance on stroke guidelines. And finally, mortality scores have declined significantly for the past six months, as have nursing vacancy and turnover rates.

The committee had two action items. Dr. Kevin Nelson presented for approval the privileges and credentials for Chandler and Good Samaritan Hospitals. The committee made a motion, and all privileges and credentials were approved. Upon the recommendation of the

medical staff operating subcommittee at both Chandler and Good Samaritan Hospitals, the hospital committee voted to approve the extension of all clinical privileges granted at University of Kentucky Hospital and Chandler Hospital to include the same clinical privileges at UK HealthCare Good Samaritan Hospital.

Dr. Brockman asked for any questions about the Health Care report. Ms. Curris questioned the relationship between FCR 3 and a statement about cash balances in the report. Mr. Melgar explained what appeared to be a contradiction in the two documents.

Dr. Brockman then asked Ms. May for her report for the University Relations Committee.

U. Proposed Revision to Governing Regulation: Governance of the University of Kentucky — Petitions to Address the Board of Trustees (URCR 1)

Ms. May, chair of the University Relations Committee, reported that the committee met during the morning and approved the second reading of URCR 1, which documents a process for interested persons to address the Board of Trustees with an issue. She explained the steps the resolution had been through and that it was now ready to be approved by the Board and put into practice. She moved approval of URCR 1. Dr. Brockman asked for a second to her motion and received it from Mr. McCorvey. He asked for discussion. Mr. Smith commented on the background of the bill and his gratitude that it was to be implemented, thanking Dr. Ernie Yanarella and Ms. Robin Pease for their assistance. Dr. McCorvey and Ms. May also commented. Dr. Brockman called for a vote on the resolution, and URCR 1 passed without dissent. (See URCR 1 at the end of the Minutes.)

Ms May reported on the remainder of the meeting this morning. Mr. Anthony Beatty, Assistant Vice President for Public Safety, addressed her committee and informed them of the many safety measures in effect for the University of Kentucky campus, a topic which the committee felt needed examination. After Mr. Beatty's explanation of the broad coverage of safety issues of all types on the university's many campus and service areas, Ms. May stated that the system was overall amazing.

V. Other Business

Dr. Brockman moved to Other Business. Because the Presidential Search Committee and ultimately the Board are moving ever closer to having a candidate for president of the University of Kentucky, it is time to consider the compensation package to be offered the selected candidate. Data previously considered by the board with regard to salary and other compensation are dated and incomplete. Dr. Brockman has secured the services of Mr. Ray Cotton, who will present a Consultant Report on Peer University Presidential Salaries. Mr. Cotton is Vice President of Higher Education for M. L. Strategies, LLC, a partner in the Mitz-Leven law firm. Mr. Cotton has been invited to address the board on the compensation package. He frequently counsels both college executives and university boards of trustees on matters such as contracts and executive compensation and has an extensive background in dealing with executives in higher education.

Mr. Cotton thanked the board for inviting him and the people who had assisted him in preparing to speak to the board. He summarized his credentials and offered an overview of the presidential compensation marketplace. A salient feature is that there can be expected what he termed a tsunami of retirement because half of all sitting presidents today are over the age of 63. Likewise, their staff of vice presidents are often Baby Boomers as well who are likely to retire and are not looking to move into a presidency. As the field of experienced presidential candidates narrows, competition will become more fierce to employ exactly the right person as UK's next president. Having information about presidential compensation packages can give our board an edge in making the right offer and ultimately, in hiring the right candidate.

He offered full disclosure that he has represented people on both sides of the equation, presidential candidates and universities seeking new presidents.

He dealt with topics of the contract, data he had compiled for the university, what length of time to expect to retain a president, base salary, other incentives, payment levels of other universities of UK's caliber, how to relate total compensation to years of service, how often compensation should be renegotiated, and other topics.

Mr. Cotton invited questions and received many. Questions involved which universities we should compare ourselves to in terms of compensation, the importance of getting the price right, how to deal with the fact that faculty and staff have not had a raise for several years, what UK should look out for as the search process goes forward, specifics about negotiations in which Mr. Cotton had participated, bonuses versus base salary, how the media enter into the compensation package equation, comparison of nonprofits versus for-profits and their negotiations, trustee responsibilities, presidential goals, whether a contract should contain a penalty if a president leaves "too early" or otherwise breaks his/her contract, consideration of the following spouse, and whether any other university has a requirement like the Top 20 mandate to deal with.

After thanking Mr. Cotton for his time, Dr. Brockman asked if there was any other business for the Board.

W. Adjournment

Hearing no suggestions for additional matters, Dr. Brockman asked for a motion to adjourn and received it from many voices. The meeting ended at 2:28 p.m.

Respectfully submitted,

Pamela T. May
Secretary, Board of Trustees

(PR 2, 3, 4, and 5; AACR 1 and 2; FCR 1, 2, and 3; and URCR 1 which follow are official parts of the Minutes of the meeting.)